Cretaceous Gas/Shale Gas Expansion Project

Cedar Hills Area

Continental Resources Inc.

The primary purpose of the project is to develop a logging template to be used in evaluating the shallow Cretaceous formations for gas production in North Dakota. Core analysis on which the log template will be calibrated is still underway. The final results of the core analysis are expected the first part of October. A revised project timeline based on obtaining the core data is shown in Figure 6.

Summary of operations (August, 2006)

Wells drilled

Four wells were drilled through the Eagle Formation to test the possibility of developing the gas that has been noted while drilling deeper wells in the area. Two were drilled in the southern portion and two were drilled in the northern portion of Cedar Hills North Unit. Footage locations are given in Table 1. Figures 1 and 2 show structure maps of the north and south areas, with the Eagle formation wells shown in red. The two wells included in the grant project area, the Rosenthal 1-27 and the Dakota 1-16, are in the southern area.

The Rosenthal #1-27 was drilled in in the SW SW of section 27-T130N-R106W with a TD of 1850'. This well was cored and logged with a full suite of logs including Schlumberger's Sonic Scanner for natural fracture and permeability evaluation.

The Dakota #1-16 was drilled in the SW SW of section 16-T130N-R106W with a TD of 1625 ft. The well was logged with standard open hole logging tools including a Dipole Sonic and Natural Gamma Spectroscopy tool and Reservoir Saturation tool.

Wells completed

As of the end of August, 2006, two of the wells have been completed. The Rosenthal and Dakota in the southern portion of the field were perforated and fraced in June and July of 2006. The wells were fraced using Nitrogen foam based fracturing fluids. Results so far have been disappointing with small quantities of gas production but also produced water. The water has caused the wells to load up since the gas rates are low less than 50 MCFD.

The Rosenthal 1-27 was perforated from 1480-1500 ft and fraced with Nitrogen foamed fluid following a N2 Injection/Falloff test. The results of the Injection/Falloff test are shown in Table 2.

After the frac, the well was flowed intermittently until a bridge plug was set at 1450 ft on 7/10/06. The well was then perforated from 1360-1380 ft and fraced with Nitrogen foam based frac fluid. The well was flowed back for about 2 weeks followed by a BHP test. The well was then produced until August 14, 2006 showing very little gas production. It was then shut in and is currently shut in

The Dakota 1-16 was perforated from 1440-1460 ft on 6/21/06. The well was then fraced with N2 foam on 6/23/06 following a N2 Injection/falloff test. Flowback continued until July 1, 2006 when the well was shut in. Production was similar to the Rosenthal with small volumes of gas and water causing the well to load up. A bridge plug was set 7/9/2006 at 1410 ft. The well was then perforated from 1280-1300 ft. Attempts to flow the well showed no measurable production and a N2 foam frac was pumped 7/19/2006. After flowing back, to cleanup frac fluids, the well began to produce small quantities of gas with some water.

Data Gathering

Core Data

Core was drilled from 1245-1365 ft in the Rosenthal #1-27 with an invert mud system. Portions of the core are being analyzed by TICORA to determine the gas desorption isotherms. We are currently waiting on the results of the analysis. Preliminary results are expected by early September with final results including the gas desorption, the first of October. Since the core data will be used for calibration of the log template, the timing of the final results will be contingent upon receiving the data from the core analysis laboratory. A timeline of initial estimated versus current estimated project completion is shown in Figure 6.

Logs

Table 2 shows the logging tools run by well for the 4 wells drilled. Additional processing was performed on the Sonic Scanner data to help identify fractures and permeability. The results showed groups of fractures in the wellbore. Additional log analysis will incorporate the core data as it becomes available.

Water production is critical in this shallow low pressure and low rate gas play. The water production in the southern area is creating problems due to the liquid dropout in the wellbore. Liquid dropout builds back pressure on the formation causing the wells to log off. The wells were jetted with nitrogen to help remove water but the wells continued to have water accumulation. The Dakota 1-16 showed slight improvement from jetting but still does not appear to have sufficient production rates to unload water. The Pickett plots for the wells are shown in figures 3-7. Higher water saturations are indicated by darker blue. The Pickett cross-plot for the Dakota (Figure 5) indicates the Dakota has the best saturations based on having the same formation water resistivity in all the wells. However, the water samples gathered after frac from the Dakota and Rosenthal show the Dakota has an Rw of .4 compared to an Rw of .3 for the Rosenthal.

The wells in the northern area are lower on structure (1360-1400 ft above sea level compared to the southern area 1640-1660 ft above sea level) but the Pickett plot shows very similar saturations. If the water resistivity is lower in the northern area, the water saturations would be lower improving the chances of commercial production.

Table 1. Well Information

Well	Footage	S-T-R	TD	KB	GL	
Rosenthal 1-27	730 FSL, 1000 FWL	27-130N-106W	1850	2938	2932	
Dakota 1-16	660 FSL, 925 FWL	16-130N-106W	1625	2835	2829	
Kimbrow 1-11	660 FSL, 1400 FEL	11-132N-107W	2000	2903	2895	
Masa 1-32	1900 FNL, 1000 FWL	32-133N-107W	2014	2927	2919	

Table 2. Injection/Falloff Data

Well	ISIP psig	Kg md	Pr Psig	Frac closure Psig
Rosenthal 1-27	1136	.026	455	823
Dakota 1-16	1275	.028	436	774

Table 3. Logging Runs

Rosenthal #1-27	Dakota #1-16	Kimbrow #1-11	Masa #1-32
Array Induction	Array Induction	Array Induction	Array Induction
CNL LithoDensity	CNL LithoDensity	CNL LithoDensity	CNL LithoDensity
Sonic Scanner	Dipole Sonic		
Reservoir Saturation	Reservoir Saturation		
Natural Gamma Spectroscopy	Natural Gamma Spectroscopy		
Spectral Gamma	Microlog		
Cement Mapping and CBL	Cement Mapping and CBL		

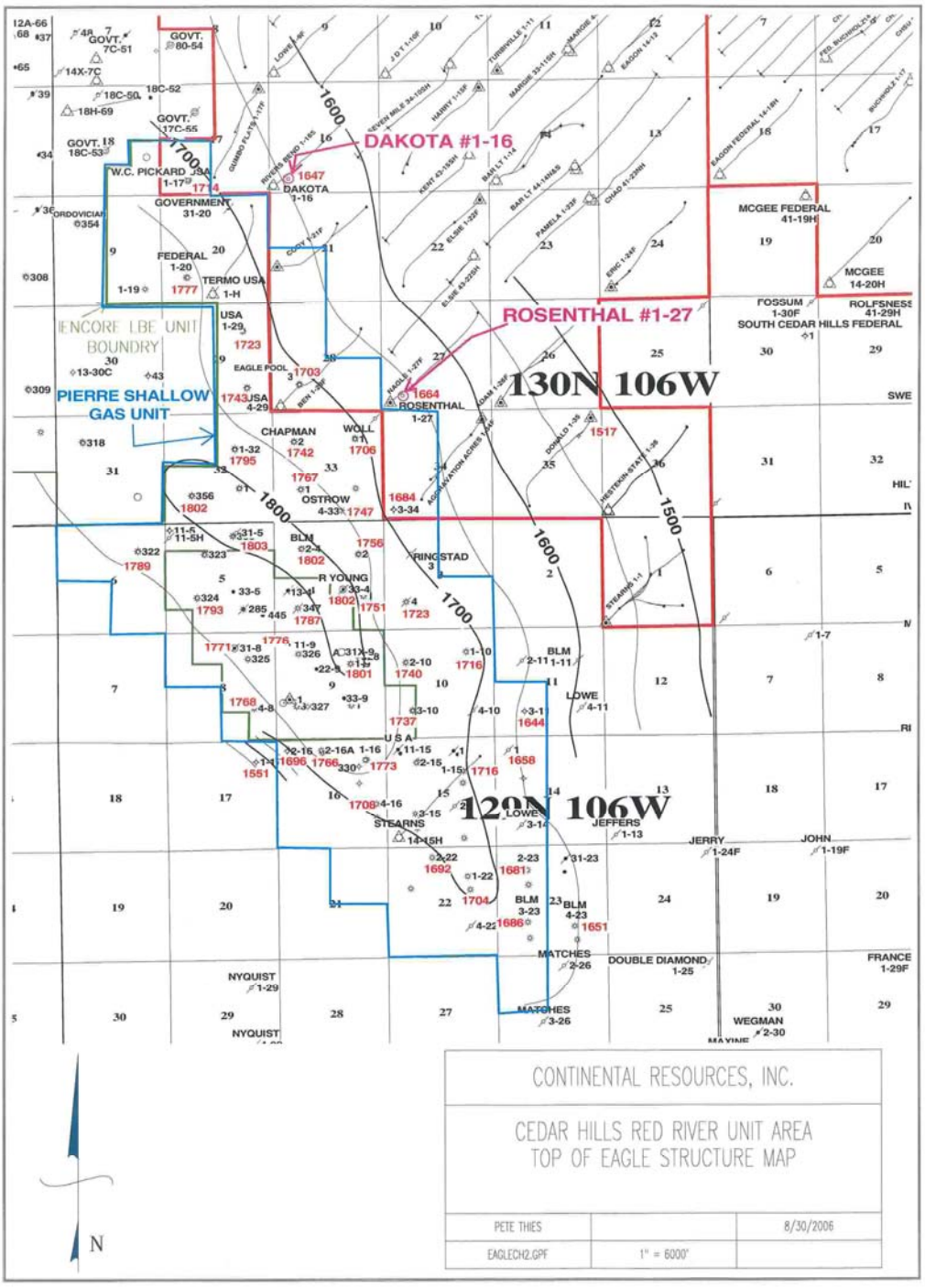

Figure 1. Eagle Formation Structure Southern Area

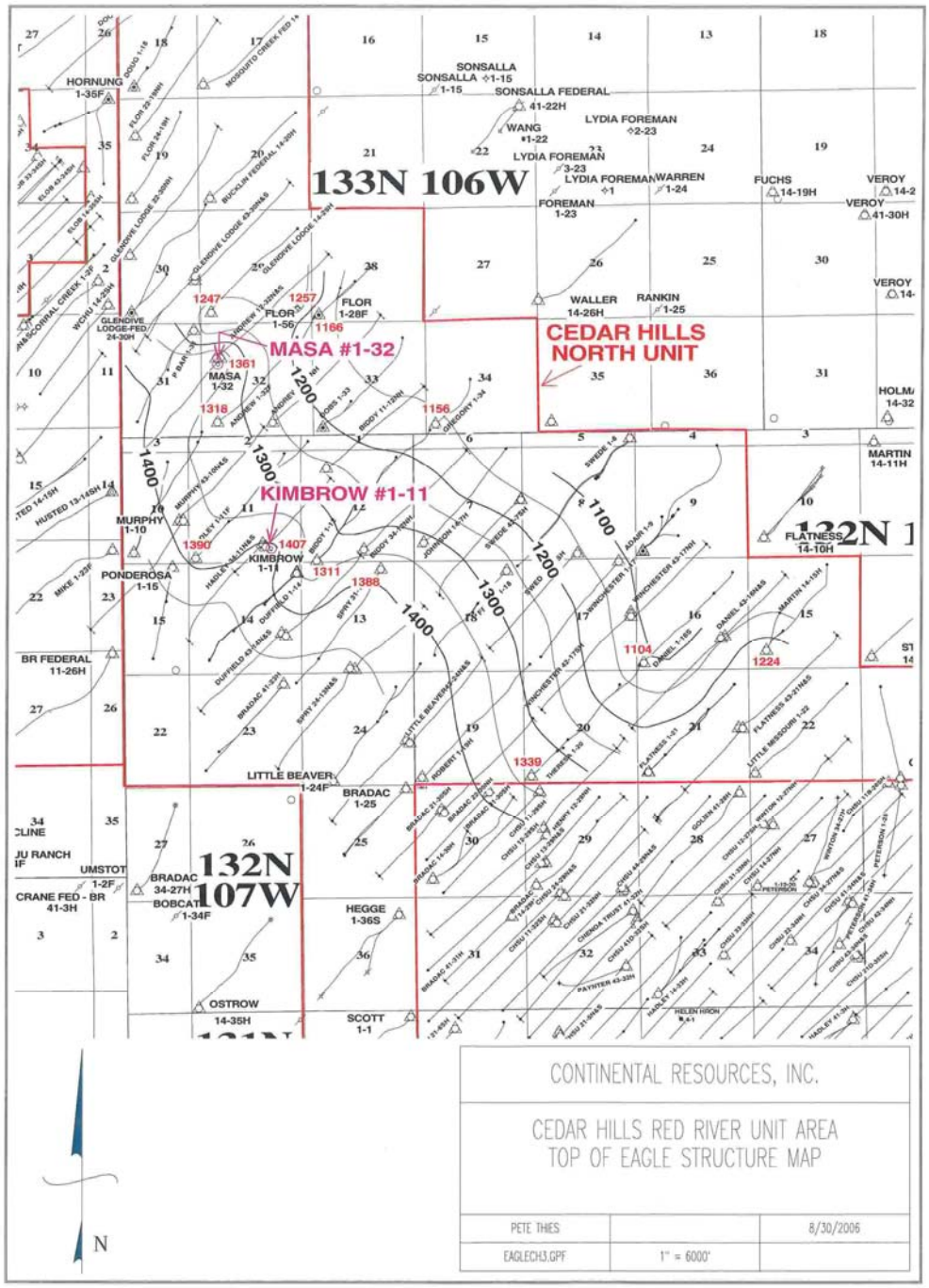

Figure 2. Eagle Formation Structure Northern Area

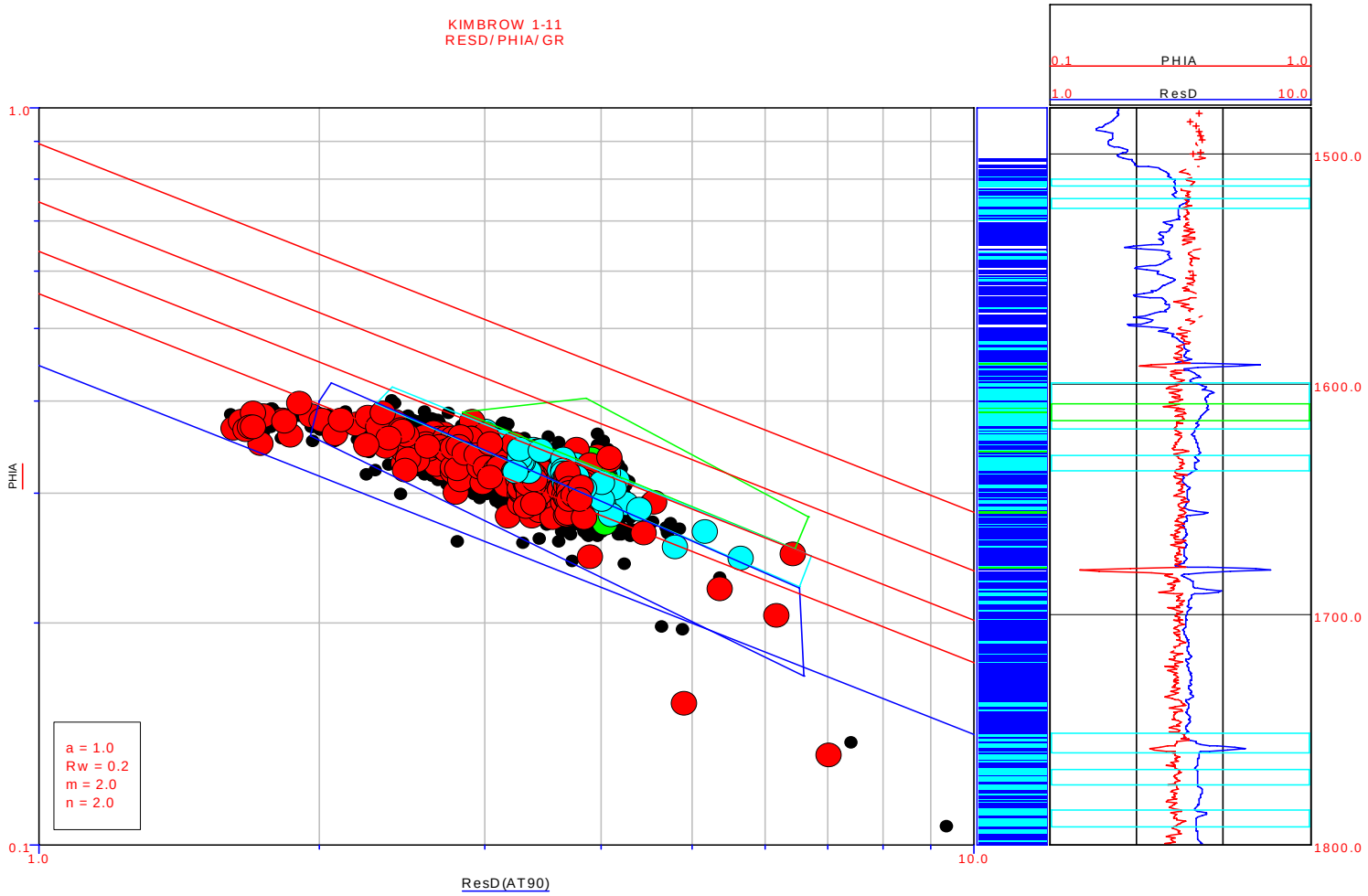

Figure 3 Eagle Formation Picket plot. Colored points are for the Kimbrow 1-11. Saturations lines are 50,60,70, 80 and 100% Sw.

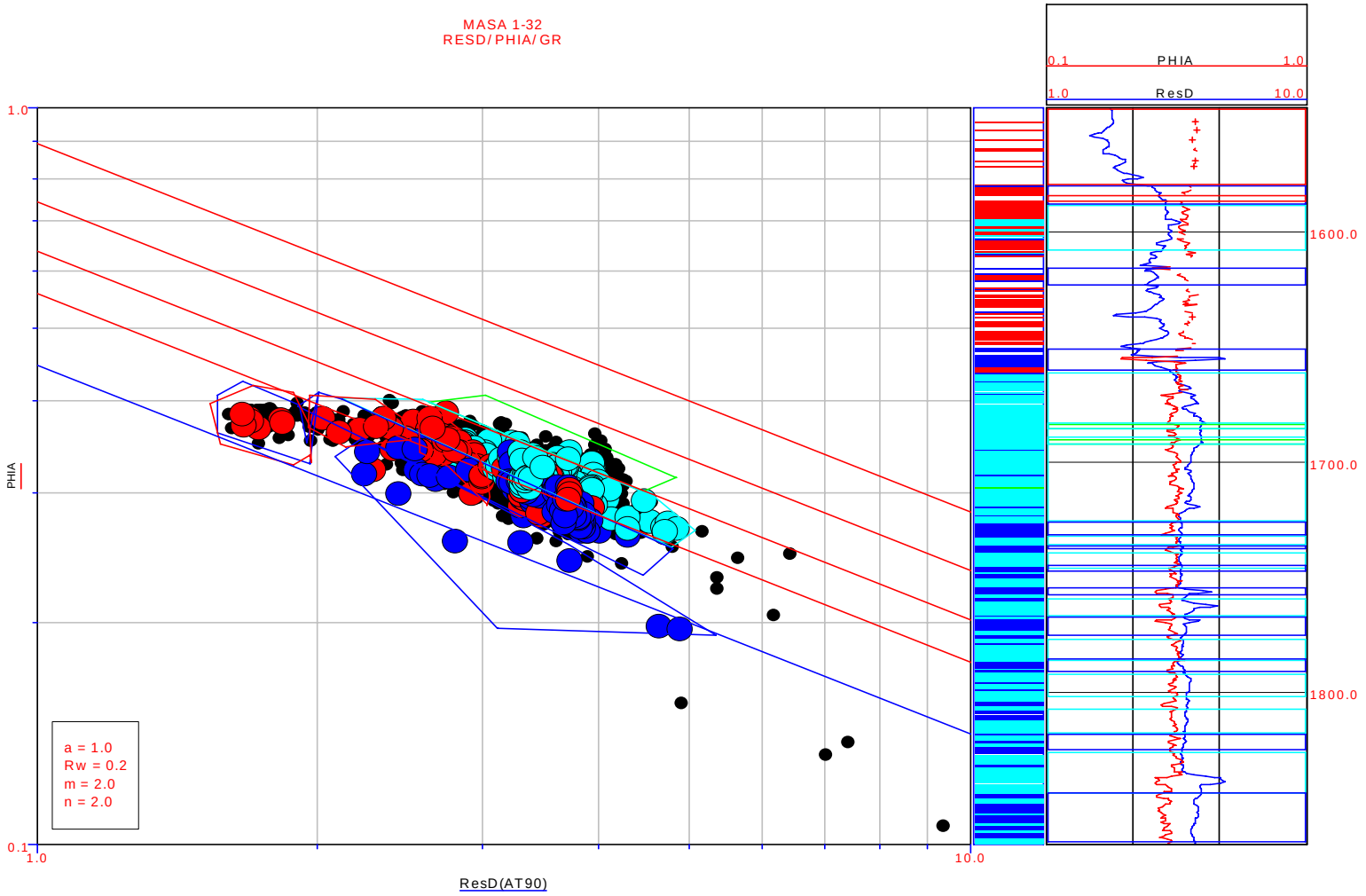

Figure 4 Eagle Formation Picket plot. Colored points are for the Masa 1-32.

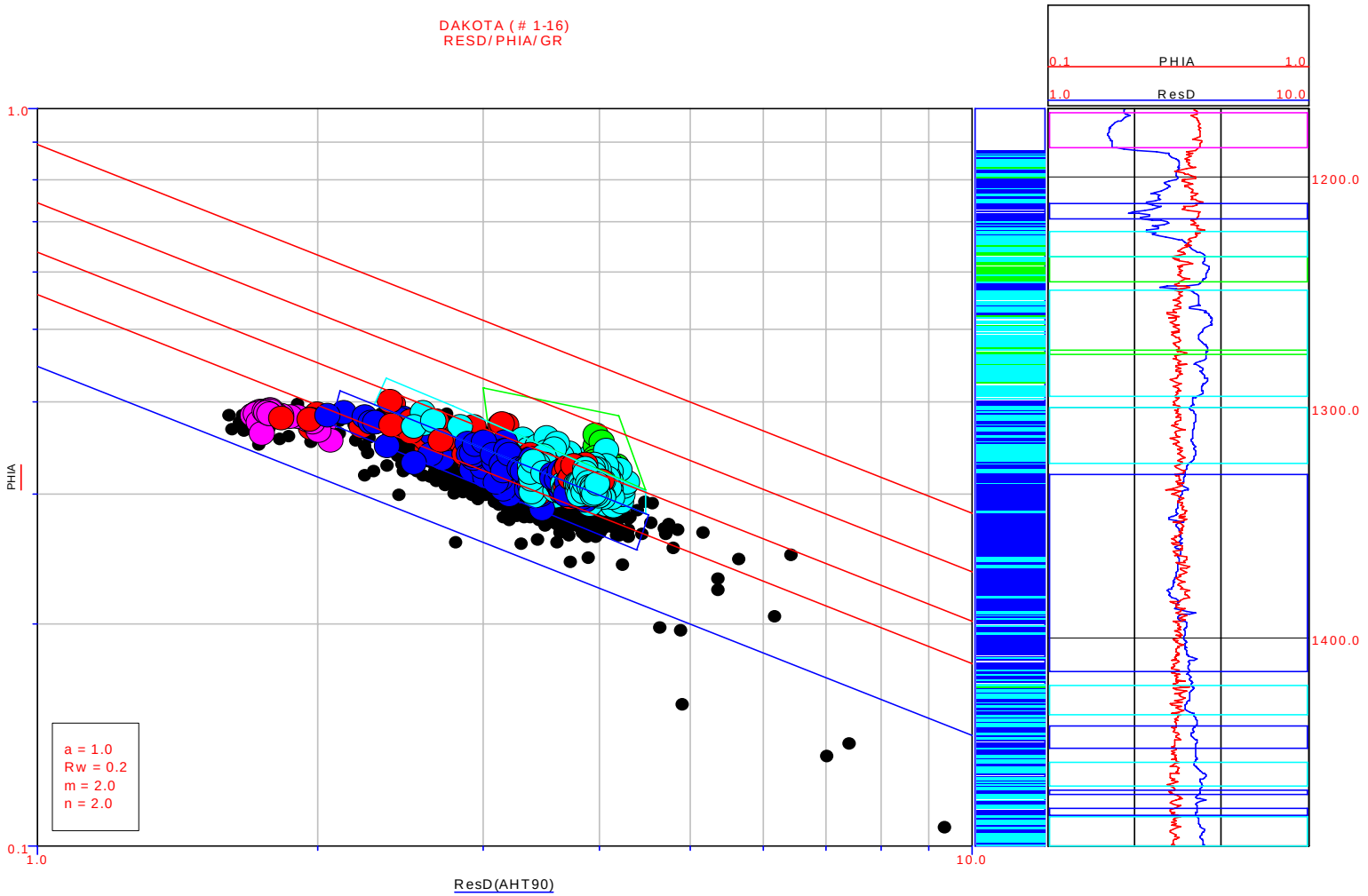

Figure 5 Eagle Formation Pickett plot. Dakota 1-11 points shown in color. Saturation lines range from 50-100%

Cretaceous Gas/Shale Gas Expansion Project Timeline

Estimated completion
Actual completion
Ongoing task with new estimated completion

	2006				2007
Task	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter
Drill 2 Wells					
Complete 2 Wells					
Core Analysis					
Develop log Template					
Final Results					
Publish Results					

Figure 6 Project Timelines